



## THE CITIZENS FINANCE REVIEW COMMISSION REPORT

# Summary of Recommendations

### WHICH MAY DECREASE REVENUE OR RATES:

No. 1 – The state should move toward reducing overall business property tax burdens.

No. 2 – The state should reduce the business personal property tax on locally assessed business personal property.

No. 12 – The state should not depend on general fund revenues to finance new school construction, but instead should implement a process for new school construction using local school district, county or state property taxes.

No. 33 – In conjunction with eliminating certain exemptions and broadening the transaction privilege tax base, the state should lower the rate accordingly.

### WHICH MAY INCREASE REVENUE OR RATES:

No. 12 – The state should not depend on general fund revenues to finance new school construction, but instead should implement a process for new school construction using local school district, county or state property taxes.

No. 19 – The state should have as few corporate and personal income tax credits as possible.

No. 24 – The state should phase out the homeowner's rebate.

No. 29 – The state should broaden the transaction privilege tax base by including "personal" services or "consumer" services.

### WHICH ESTABLISH OR RECOMMEND A PROCESS

#### FOR FURTHER ANALYSIS AND STUDY:

No. 5 – The state should carefully examine the effectiveness of the possessory interest tax to determine if it is functioning the way it was intended, i.e., an in-lieu property tax.

No. 11 – The state should establish high-level tax policy guidelines to be used to test the soundness of future proposed transaction privilege tax exemptions.

No. 15 – The state should hire a consultant to examine the fairness and extent of miscellaneous taxes and fees imposed by the state for services.

No. 19 – The state should have as few corporate and personal income tax credits as possible.

No. 30 – The state should broaden the transaction privilege tax base by including certain transactions that currently are tax exempt.

No. 35 – The state should review the effectiveness of private school tuition tax credits and the extracurricular public school tax credit.



## Recommendations – continued

### **WHICH ASSIGN RESPONSIBILITY OR ACCOUNTABILITY FOR PROCEDURES TO EXISTING AGENCIES OR COMMITTEES:**

No. 6 – The state should assign specific responsibility for long-term planning to a particular agency or committee.

No. 7 – In addition to its current practice of cost accounting, the state should utilize accrual accounting on a selective basis to provide the state’s financial policymakers with long-term planning budget data.

No. 8 – The state should centralize information about federal funds in an effort to increase the federal grant dollars it receives.

No. 16 – The state should decrease revenue loss by increasing spending on revenue enforcement until cost-benefit equilibrium is reached, and by implementing a system that makes tax avoidance more difficult.

No. 18 – The state agencies should maximize the “time value” of money by increasing interest earnings through the use of frequent deposits, longer-term, higher-interest accounts and other fiscal measures.

No. 21 – The cities and state should pursue greater transaction privilege tax uniformity.

### **WHICH ESTABLISH REVENUE POLICY:**

No. 9 – The state should increase the current limit on the budget stabilization fund (the “rainy day fund”) to its original 15-percent cap and take measures to make “raids” on the fund more difficult.

No. 10 – The state should utilize capital financing tools (bonding) for long-term capital assets with debt service tied to specific revenue streams.

No. 13 – The state should, where possible, phase in major changes – or phase out changes – to the tax structure over time.

No. 17 – The state should replace unit-based fees and taxes with percentage-based fees and taxes.

No. 20 – The state should follow the federal income tax returns as much as possible.

No. 22 – Each transaction privilege tax exemption should include a sunset provision to periodically compare the public policy supporting the tax exemption against the evolving state of the state.

No. 31 – The state should withhold income tax from non-residents.

No. 32 – The state should retain certain low-income tax credits.



## Recommendations – continued

### **WHICH REQUEST A CITIZENS REFERENDUM:**

No. 14 – The state should remove the constitutional requirement that raising tax rates requires two-thirds affirmative vote, reverting to a simple majority requirement.

No. 34 – The state should eliminate the 1-percent constitutional cap on residential property tax.

### **WHICH REJECT A NEW OR EXPANDED TAXING METHOD:**

No. 23 – The state should not adopt a gross receipts or expanded franchise tax as a replacement for corporate income tax.

No. 25 – The state should not reinstate the “throwback rule” in the corporate income tax calculation.

No. 26 – The state should continue to impose the estate tax on the amount that is equal to the state tax credit provided for in the federal tax code even though that credit is scheduled to be phased out.

No. 27 – The state should not adopt a real estate transfer tax.

No. 36 – The state should not adopt a single flat rate for personal income tax purposes.

### **WHICH ACCEPT A NEW OR EXPANDED TAXING METHOD:**

No. 3 – The state should apply a uniform assessment ratio on all future voter-approved property tax-funded bonds and overrides.

No. 4 – The state should align the transaction privilege tax to more appropriately mirror the state’s economy by expanding the tax base.

No. 28 – Arizona should re-enact the option of a state property tax, applied on a uniform assessment ratio.